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Weekly Contributions
Latin America Division, ONE, CIA
20 December 1949

Two items are of particular interest this week: that on increased tension in the Caribbean (p. 2), and that on the possibility of trouble in Ecuador (p. 3).

CURRENT DEVELOPMENTS

GENERAL: It is possible that the Nationalist diplomatic establishments in Latin America may shift their orientation toward the Chinese Communist regime (p. 2).

NORTHERN AREA: Caribbean tension has been increased as the result of Dominican president Trujillo's request for war powers (p. 2). The

CENTRAL AREA: Ecuador's government anticipates trouble from dissident army factions (p. 3).

SOUTHERN AREA: In Argentina, the government is showing increasing concern over unemployment (p. 4). In Chile, political tension is increasing (p. 4).

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1. GENERAL: Possible shift to Chinese Communist regime of Nationalist diplomatic personnel in Latin America

Reports from Guatemala and Mexico, as well as from other parts of the world, indicate that some Chinese diplomats in Latin America have begun to orient themselves toward the Communist regime in Peiping. It appears that since about August, the 16 Latin American diplomatic establishments of the Chinese government have not been paid and that many of the personnel in these missions, except certain Chiefs of Missions, hope to be taken into the service of the Peiping regime. It is possible that this regime may begin inconspicuously to support some of the present Nationalist diplomatic establishments in Latin America, with the idea of establishing Communist bridge-heads in these countries prior to recognition.

2. DOMINICAN REPUBLIC: Increased Tension in the Caribbean

Trujillo's latest move against anti-Trujillo groups in the Caribbean area -- his 12 December request of the "rubber-stamp" Dominican congress for authority to declare war against any country that permits anti-Trujillo activities within its territory -- is most probably a part of the intense propaganda campaign waged in recent months by Trujillo and Somoza against the "democracies," whom they accuse of plotting against them. While it is possible that Trujillo's action reflects some concern over attacks from other countries, his military forces are considered sufficient to repel such attacks, and no evidence has been received that the Caribbean Legion is planning to undertake military action in the immediate future. It is more likely that Trujillo's move is designed to impress the Cuban and Guatemalan governments with the possible dangers to them in harboring exiled revolutionists, and to evoke US opposition to the Caribbean Legion in order to prevent any further activity by revolutionary groups against the Caribbean "dictatorships".

Cuba is very resentful of Trujillo's move and has launched a propaganda counteroffensive against him. To show that invasion preparations are not under way in Cuba, the Cuban government last week invited the Inter-American Peace Committee to investigate recent charges about present preparations for a new invasion attempt against Trujillo, and the matter was taken up December 19 at a meeting of the IAPC. Cuba has also threatened to appeal to the OAS on the grounds that Trujillo's request for war powers constitutes a threat to international peace.

The "democracies" are not the only countries that have been reported as plotting. Trujillo, for example, is reported to have been sending arms to Nicaragua for use against Guatemala, and agents of Trujillo and Somoza have been reported as working together in obtaining arms abroad for use of the plotters.

The total effect of these charges and countcharges, well-founded or not, has been to increase intra-Caribbean tension in recent months to the detriment of the US interest in Hemisphere solidarity.

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5. ECUADOR: Administration anticipates outbreak

Government investigators claim to have discovered a well-organized group of civilians and army personnel ready to attack the government at any time. [REDACTED] Any outbreak is expected to be initiated by either the Mariscal Sucre Artillery Group or by the Vencedores Infantry Battalion, both stationed in Quito. The government, fully aware of the situation, is reportedly certain of the loyalty of the tank unit stationed in Quito and so confident of its ability quell any revolt at the very beginning that the government has purposely assumed the appearance of unawareness and unpreparedness in order to precipitate a showdown. D/LA estimates that, while an anti-government group has made some progress in its preparations, it is

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still not in a position to take decisive action particularly in view of the government's awareness of the situation and of the continuing loyalty of certain important army units and officers.

6. ARGENTINA: Government moves to anticipate unemployment

Certain recent moves by the Argentine administration indicate that anticipation of unemployment may have become an increasingly important factor influencing government economic policy, even though the government is continuing efforts towards economic reform through revisions in trade policy on which, in the long run, labor peace and economic stability must depend (see D/LA Wkly 6 Dec 49). Government restriction of imports -- which, if admitted, would ease inflation and increase Argentina's foreign-sales potential -- appears to be designed to guard against unemployment that would result from the competition of foreign goods with high-cost domestic products. Although efforts have been made to curtail public credit, loans to private business have been somewhat increased, apparently to check declining business activity and resultant unemployment. Reportedly, the government is also considering an extensive public-works program to absorb any large number of unemployed and to aid the rural sector of the economy. It thus appears that the short-term advantages of full employment are being given priority over long-term objectives of a sounder economy.

7. CHILE: Political Tension Increasing

Dissatisfaction with the González Videla regime is becoming widespread. Minor opposition parties are endeavoring to form an anti-government coalition, and certain military elements are reported to be plotting to overthrow the government. A focal personality in the current anti-government activities appears to be Carlos Ibáñez del Campo, aspirant to the presidency in 1952, who is now an active leader among opposition groups and allegedly is in contact with the conspiring military elements. The latter group, composed chiefly of officers who were forced into retirement for their participation in the abortive November 1948 plot, is trying to gain sufficient support within the armed forces to execute a successful coup. Government authorities are reported to be apprehensive about the situation and are keeping the suspected individuals under surveillance. González Videla, meanwhile, is attempting to gain more popular support by pushing economic measures that he feels will alleviate the current economic distress and by striving for greater harmony among the government coalition parties.

Despite the numerous reports of increasing discontent and plans for a projected coup and, despite the probable increase of tension in 1950, D/LA believes that the González Videla government should be able to maintain itself in power at least during early 1950.

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The Current Situation in Colombia

(Summary -- The Conservatives have won an important victory in the struggle between the two political parties for control of the Colombian government. The economic situation is good and should tend to improve political stability prospects. The armed forces remain loyal to the government. Communist influence remains slight. There have been no critical problems in Colombian foreign relations.

-- It is as yet too early to estimate the effect on US-Colombian relations of the election of Laureano Gómez to the presidency.)

Political

The Conservatives have won an important victory in the struggle between the two traditional political parties for control of the Colombian government. The Liberal-sponsored law advancing the date of the presidential election was followed by a wave of violence in which the majority of the victims were Liberals. The Liberal attempt to institute impeachment proceedings against Conservative President Ospina was met by the declaration of a state of siege, under which Congress was suspended. Liberal abstention from the polls and their call for passive resistance on election week end were ineffective, and the Conservative candidate, Laureano Gómez, was elected peacefully on 27 November (see D/LA Wkly 6 Dec 49). Attempts by the Liberals to subvert the armed forces seem to have been given a death blow by the replacement on 1 December of chiefs of staff of the Air Force and Navy. The one success of the Liberal Party, to date, has been its ability to maintain its unity despite Conservative attempts to cause an open split. However, the Liberals as a group are not of a temper to cause serious inconvenience to the government, and D/LA estimates that, although sporadic violence may continue, there will be no outbreak of revolutionary proportions in the near future.

Economic

Colombia's economic situation is good and should tend to improve political stability prospects. Coffee production and prices are at an all-time high; there is a virtually unlimited market for Colombian coffee in the United States; and imported materials and products are relatively cheap in comparison with coffee. Despite continued internal inflation, the improvement in terms of trade combined with rigid import restrictions is expected to result in a balancing of external payments for the year. Although important economic pressure groups such as the Coffee Federation still favor devaluation of the peso, President Ospina is reported to be definitely opposed, and, since Congress was suspended under the state of siege, the President's opinion is, for the time being, decisive.

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No progress was made on amending petroleum legislation during the recent congressional session, as that body was entirely occupied with political matters, but a considerable portion of the proposed legislation is currently being prepared for promulgation by presidential decree. The favorable prospects for this legislation in conjunction with a possibly significant new oil discovery in the Department of Tolima have improved the outlook for petroleum development in Colombia.

Subversive

Communist influence in Colombia remains slight. Although some Communists were reportedly affiliated with Liberal "defense" groups in Bogotá, the Communist Party, as a whole, has kept singularly free from entanglement during the past three months of extreme tension, and has generally avoided being implicated in cases of political violence. In the expectation that the election of Laureano Gómez would mean the outlawing of their party, the Communists have made preparations for going underground. There have been no indications, however, that the government does, in fact, intend to take any strong measures against the Communist Party.

Military

The armed forces remain loyal to the Colombian government and continue to be a stabilizing influence in the country. As a result of the high degree of political instability preceding the presidential election and in expectation of inordinate demands upon the military's capacity to maintain the peace at election time, the strength of the armed forces was increased to 42,000 as of 31 August (compared with 30,000 in June), and a further increase of 10,000 was reportedly planned for October (it is not known if the second increase took place). Reports that the Liberals were attempting to subvert military personnel are given some credence by the fact that, in the selection of conscripts during the fall, Liberals were consciously and carefully excluded. At present, key positions are believed to be filled by men who will support the administration. On 1 December the chiefs of staff of the Navy and Air Force were replaced, presumably by men of unquestioned loyalty and reliability. D/LA estimates that the Colombian armed forces will continue to support the constituted authorities.

International

There have been no critical problems in Colombian foreign relations during the past three months. Colombia's divergence from US-approved principles of international trade continues, as is evidenced not only by Colombia's efforts to increase tariffs, but also by the abortive attempts to negotiate barter agreements with France, Great Britain, Italy, and Switzerland. The friction between the US and Colombia, which had resulted from Colombia's violation of the Reciprocal Trade Agreement (by the imposition of exchange taxes) has, however, been eliminated by the official termination of that agreement. Colombian relations with Peru have improved as a result of the

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official submission of the Haya case to the International Court of Justice
on 15 October.

Laureano Gómez, Colombia's president-elect, has publicly stated that
he does not intend to make any radical changes in Colombian foreign policy.

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The Current Situation in Costa Rica

(Summary — The new Ulate administration should be relatively stable in coming months. The economic situation remains unfavorable. Communist activity is increasing, but Communism remains of minor importance. The loyalty of the Civil Guard to the new administration has not yet been definitely established. Costa Rica's friendly policy toward the US will remain unchanged under the new administration, and the new president will try to keep Costa Rica aloof from inter-Caribbean rivalries.

— US security interests have not been affected by recent developments in Costa Rica.)

Political

The political situation in Costa Rica, where Otilio Ulate was inaugurated as president and a new constitution became effective on 8 November, is calm at present. Ulate may eventually be expected to encounter opposition, which will probably stem to a considerable degree from his political opponents among the former junta members. Many of these have both an ideological drive and a desire for power and may eventually seek power or try to force Ulate to accede to certain of their reform measures. In such event, Communists and former Calderonistas would no doubt offer support to whichever of the two rival political factions they believe would best further their aims. At the present time, however, Figueres and his associates are unpopular; Ulate has a solid popular backing; and his party, the National Union Party, holds 33 out of 45 seats in Congress and controls both the executive and legislative branches of the new administration. Therefore, it is expected that the president's policies will encounter little resistance during the early period of his term and that his administration will be stable for at least the next few months.

Economic

The economic situation remains unfavorable. It is true that the overall agricultural productivity of the country is high, that world market conditions continue to favor Costa Rican exports, and that the value of exports is at an all-time high. Costa Rica, however, has more or less chronic financial problems which have been growing worse. Ulate has appointed a technical advisory committee on economics and finance which is currently in the process of formulating the administration's financial policies, which are reported to include reduction of governmental expenditures, reduction and servicing of the debt, tightened exchange and import controls, and revisions in the central banking system. D/LA estimates that, despite the new administration's strenuous efforts to improve the country's financial position, there will be no substantial improvement in coming months.

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Subversive

Communist activities have increased in recent months but Communism has remained of minor importance locally. It is true that the Communists have been increasingly outspoken in criticism of Figueres and Ulate; that they have organized a new women's front movement and a youth organization; and that they--looking toward the eventual reestablishment of a Communist labor federation--are strengthening the Comision Nacional Obrera for the purpose of regaining control over labor syndicates that were formerly affiliated with the Communist-dominated Confederation of Workers of Costa Rica (COCR). There also is some evidence that local Communists are attempting to improve their working relationships with Communists in neighboring countries. The Communists, however, have not yet regained influence in the labor movement; the Communist Party--Vanguardia Popular (also called National Democratic Party)--was not allowed to present a slate of candidates in the election of 2 October; and the party has been unable to organize effectively outside of the capital. It is estimated, therefore, that Communism will continue to be of minor importance politically in Costa Rica in the immediate future.

Military

The loyalty of the Civil Guard to the new administration has not yet been definitely established. There has been no apparent reaction among the rank and file to the resignation of Aquiles Bonilla and other top officers of the Civil Guard and the Ministry of Public Welfare. (Several top officers resigned to give Ulate a free hand in reorganizing military functions, and then Bonilla resigned in protest to Ulate's evident intention to accept the resignations and make further personnel changes.) Ulate is reported to be making these personnel changes as one step toward improving the efficiency and economical operation of the Civil Guard. As a further step, he has asked the chief of the US Military Mission in Costa Rica to recommend plans and policies for the Civil Guard. These developments, if successful, may increase the loyalty of the Civil Guard to the new administration.

International

Costa Rica's friendly policy toward the US, its support of the US in East-West rivalries, and its participation in the UN and the OAS will not be materially affected by the changed administration. The new government is expected to ask for financial assistance from the US or the International Bank and may also ask for revisions in the trade agreement between the US and Costa Rica. In contrast to former junta president Figueres, who aligned Costa Rica definitely on the side of the "democracies" in the Caribbean area, the new president will probably endeavor to keep Costa Rica from backing the Caribbean Legion or joining any group likely to have a divisive effect on American solidarity.

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